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## **The Soviet Banking Industry: Blueprint for Change**

A Reference Aid

CIA HISTORICAL REVIEW PROGRAM  
RELEASE IN FULL  
1999

LDA 90-13125  
May 1990

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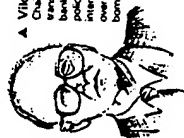
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# The Soviet Banking Industry: Blueprint for Change

## KEY OFFICIALS



**▲ Viktor Grashchenko**  
Chairman, Gosbank... leading proponent of bank reform... called for Western-style central bank... call for liberalizing and responsible use of international bank... has served in almost all Soviet overseas banks... appointed August 1989  
born 1937



**▲ Yury Moskovskiy**  
Chairman, Vnesheconombank (VEB)... oversees currency actions to pave way for ruble convertibility... has increased network of VEB positions in government and USSR's predecessor organization... appointed 1987... born 1947

## ▲ Viktor Bukato

Chairman, Promstroybank... sector is receiving large amount of government investment... plans to convert to consumer enterprises... career in former Stroybank (Construction Bank)... appointed 1987... born 1938

## ▲ Aleksandr Obozintsev

Chairman, Agroprombank... provides extensively for investment in collective and state farms... headed Leningrad office of Ministry of Agriculture during Brezhnev era... appointed 1987... born 1931

## ▲ Mikhail Zotov

Chairman, Promstroybank... has called for more liberal lending policies... was criticized in press for government's policy of government control over investment, bank... chairman of predecessor organization (Stroybank) 1973-87... appointed 1987... born 1915

## THE EXISTING SYSTEM

### The 1987 Banking Reforms

Gosbank relinquished control of lending and day-to-day operations to five specialized banks... development of commercial banks began.



### ▲ State Bank (Gosbank)

Regulates money circulation; helps establish credit, monetary policy.

### ▲ Commercial Banks

Formed by cooperatives, industrial enterprises, venture capitalists... relatively free to set own interest rates.

### ▲ Specialized Domestic Banks

Committed to specific sectors of economy... must provide for bank loans... interest rates to be set by Gosbank.

### Agroprombank

Principal financial institution in rural areas... services: loans, insurance, food processing, etc.

### Promstroybank

Supplies capital investment loans to construction, transport, communications, and heavy industries... must only to state enterprises.

### Sberbank

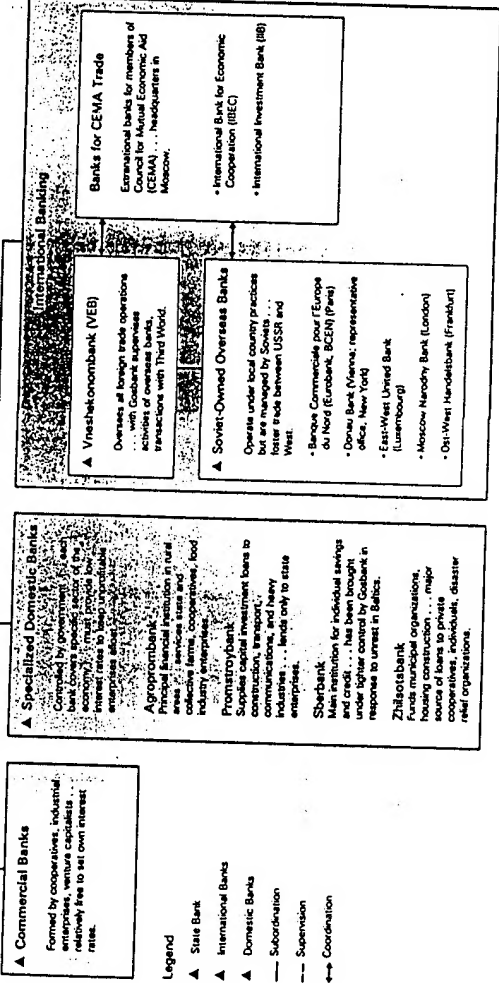
State institution for individual savings and credit... has been brought under tighter control by Gosbank in response to unrest in Baltics.

### Zhivotobank

Cooperatives, housing organizations, housing co-ops to private cooperatives, individuals, disaster relief organizations.

## Legend

- ▲ State Bank
- ▲ International Banks
- ▲ Domestic Banks
- Subordination
- Supervision
- ↔ Coordination



## THE PROPOSED CHANGES

Proposed reforms have been drafted since December 1989.

### ▲ Autonomy for Gosbank

- Transition into Western-style central bank with control over credit, monetary policy.
- Begin regulating financial operations of economy through market methods, such as obligatory reserves, variable interest rate.

### ▲ Development of Commercial Banking

- Grant commercial banks—which now hold only 7 percent of banking assets—freedom to begin direct foreign operations.
- Open capital and security markets.
- Increase interest rates.
- Place specialized banks on commercial footing.
- Maintain some restrictions on interest rate policies.

Other reforms have affected the banking industry.

### ▲ Ruble Convertibility

- Expect price reform to precede ruble convertibility.
- Hold limited auctions of rubles for hard currency as step toward convertibility.
- Set more realistic exchange-rate policy, including greater devaluation of ruble, for short term.

### ▲ Republic Autonomy

- Basic republics developing own financial and credit network as part of regional autonomy program initiated in January 1990.
- Estonia and Lithuania forming own state banks, facing substantial pressure from Gosbank to reverse decision.

